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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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K mart president Joseph Antonini congratulates Martha Stewart on becoming K mart's home fashion consultant.

Looks to Mirror Apparel Success

K mart Puts 'Power' Behind Home Fashions

By Arthur Markowitz

TROY, Mich. — K mart aims to develop its over $1.5 billion Home Fashion division into a "power department," using marketing strategies similar to that which helped to successfully transform its apparel operation.

Sparking this effort, the discounter has signed Martha Stewart, author of five food and entertainment books and a syndicated column, to a five-year contract as the spokeswoman and consultant for its new Home Fashion division. Home Fashion, division III in K mart's restructured mer-

(Continued on page 61)

ShopKo Secures Beachhead For Pacific Northwest Assault

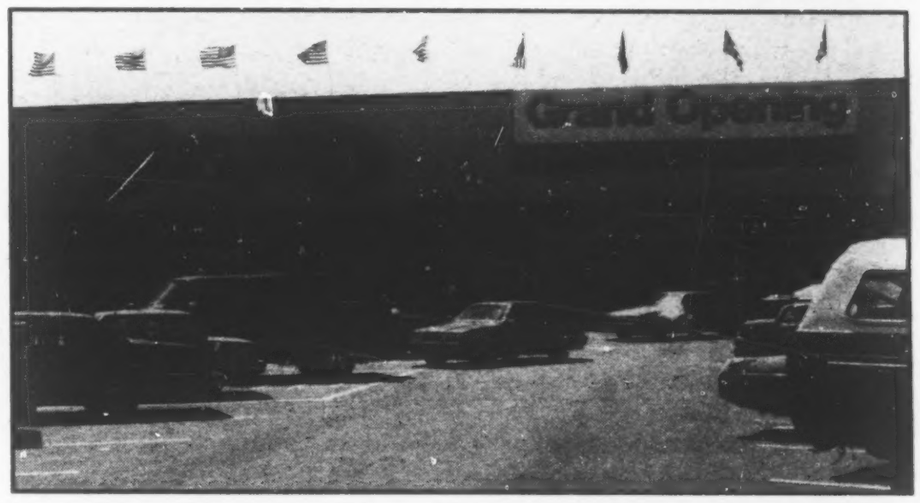
By Pamela Krein

SPOKANE, Wash. — ShopKo Stores' assault on the Spokane market has set the stage for skirmishes between the 69-store Green Bay, Wis.-based discounter and Fred Meyer, the Pacific Northwest's dominant retailer.

The two retailers already butt heads in three cities in Idaho, but the entrance by ShopKo into this eastern Washington city places ShopKo squarely in the heartland of a region traditionally dominated by 94-store Portland, Ore.-based Fred Meyer.

ShopKo entered the market last month with two stores—one in the east valley and one in the northern section of town. Both stores are located within a mile of Fred Meyer's two area entrants.

In this market of 354,300, ShopKo also faces two K mart stores and one Costco membership warehouse. And, discounter competition here is expected to heat up even further when Target Stores opens the first of its two to three planned stores here by 1989 or 1990. (Target is launching an aggressive retail movement into the Pacific Northwest which will start next year, primarily in Seattle. (See *DSN*, May 11, pg. 1).



ShopKo opened its first store in the Pacific Northwest last month, bringing the 69-unit discounter into head-to-head battle with the region's dominant discount chain, Fred Meyer. (DSN photo)

ShopKo's two Spokane stores are 91,000 square feet and 94,000 square feet, and currently both are freestanding. However, one of the stores represents the first outlet in what is a planned future mall development, according to the real state firm handling ShopKo's site acquisitions in Washington and sev-

(Continued on page 61)

CVN's Success Prompts C.O.M.B's Emergence as Diverse Direct Seller

MINNEAPOLIS — C.O.M.B. will absorb its partly-owned subsidiary Cable Value Network next week to form a new type of merchant, an integrated direct marketer using a host of channels to sell merchandise.

The renamed CVN Companies, Inc. will have the teleshopping Cable Value Network as its retailing backbone, supported by closeouter C.O.M.B.'s traditional direct mail and retail store operations, along with such new ventures as two recently acquired wholesale telemarketers of consumer electronics to mom-and-pop stores.

The new CVN Cos. will be formed next week following C.O.M.B.'s annual meeting at which shareholders are expected to approve a series of proposals that will:

- Merge the old CVN into C.O.M.B., with the new company assuming all the teleshopper's assets, liabilities and obligations.
- Increase the float to 90 million shares so the company can issue warrants to buy stock in CVN Cos. to 16 multi-system cable TV operators (MSOs).

As part of the deal, these 16 cable operators agreed to car-

(Continued on page 61)

Stuarts, Nashua, N.H.: Despite upgraded fixtures and merchandise, promotional image remains intact. (DSN photo)

Stuarts Overhauls Image; Upgrades Apparel Mix

By Mary Ellen Kelly

HOPKINTON, Mass. — Stuarts Department Stores unveiled this month a new prototype in line with the industry trend toward larger, more prominent apparel sections offering branded goods. The move is aimed at upgrading Stuarts' fashion image without abandoning its price-oriented customer base. The prototype features an upgraded merchandise mix and decor, altered adjacencies and new departments in both hard and soft lines.

(Continued on page 61)

Management Buyout of Chief Auto Looms

By Richard C. Halverson

DALLAS — Would be buyers of Chief Auto have kept phones "ringing off the hooks" at its headquarters here.

News Analysis

They may never get a chance to bid for the 465-store chain, however. Speculation is mounting that the present management, led by general manager Michael Manor, is attempting to line up financing for a leveraged buyout within a leveraged buyout.

Last month, Southland Corp., Chief's parent, announced that the founding family of the 7-Eleven convenience store chain, the Thompson family, is taking the corporation private in an LBO valued at $5.1 billion. To help pay the enormous debt, the family announced that it will sell various assets, including the auto store chain that operates primarily in Texas and Southern California.

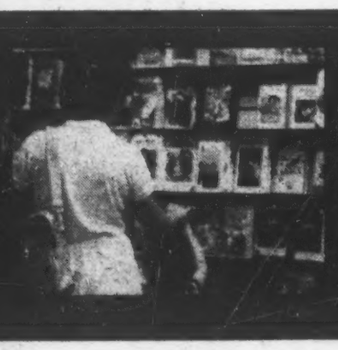
The Wall Street Journal estimated that Chief Auto might garner $200 million.

Bill Wooten, the previous Chief Auto general manager, who now works in the food brokerage business in Los Angeles, confirmed that he had attempted to arrange an LBO of Chief Auto a year ago with the Thompson family.

(Continued on page 39)

Off-Price Census

Video Chain Exploits Videotape Explosion



Western Auto Transforms Into Powerhouse Chain

MARKETWATCH

Antar Withdraws Crazy Eddie Bid

EDISON, N.J. — Eddie Antar and First City Capital Corp. withdrew on Aug. 12 their proposal to buy Crazy Eddie at $7 per share. Antar and First City attributed the withdrawal, in part, to discussions with potential lenders. They said they are "prepared to work with the company toward a mutually acceptable transaction."

TEMPO TV Focuses on 45-Plus Market

TULSA — The 45-year-old and over consumer market will soon have its own cable TV network. TEMPO TV, which was launched eight years ago as a special interest cable TV network, is changing its programming to focus on the 45-plus market. This market is expected to grow from 72 million people to over 105 million within the next 15 years, representing one of the fastest growing demographic groups in the nation. TEMPO, which currently reaches about 12.5 million households, had offered a number of teleshopping shows earlier this year but found little interest among cable TV operators for this programming.

Pay'n Save Acquires GO Guy Drug Stores

SEATTLE — Pay'n Save, parent of discounter Bi-Mart, plans to acquire the six-store GO Guy Drug Store division of the 65-unit Bonanza Stores variety chain. Pay'n Save, which operates 100 drugstores and super drugstores, plans to run the acquired GO Guys as part of its new Pay'n Save Limited concept of smaller drugstores targeted for areas that can't support its larger units.

Zellers Adds Fifth Distribution Center

MONTREAL — Zellers, the 210-store Canadian discount chain, is adding a fifth facility to its distribution network next month to accommodate the heavy flow of merchandise generated by its unique, one-year-old 'Club Z' incentive sales program. The Club is a repeat customer incentive program that has over three million member customers, or roughly 40 percent of Canada's total population. The membership level is already double management's original expectations. The new 411,000-square-foot DC is the discounter's second such facility in Montreal; three others are located in the Greater Toronto area. The discount department store division of Hudson Bay Co. reported a 14 percent sales increase to $1.7 million during 1986. Zellers Group—which includes Zellers and three other retail chains—reported sales of $2.3 billion for the year, compared with $2 billion in 1985, and operating profit of $92 million, up from $68 million.

Ames Denies Buyout Rumor by Wal-Mart

ROCKY HILL, Conn. — Ames Department Stores has denied the latest recurrence of a rumor that discount giant Wal-Mart may buy the Northeastern chain. A company spokesman stated that Ames has never, as the rumor held, asked Wal-Mart to "take a look" at Ames. "The rumor started in the arbitrage community," the spokesman said. He refused to speculate about motives in spreading the report, but Ames stock jumped nearly $2 on trading of over a million shares a day on Aug. 4 to 5 (vs. "normal" trading of 200,000 to 400,000 shares). Chairman Herbert Gilman had replied to similar questions at Ames annual shareholders' meeting this summer, stating that he and Wal-Mart chairman Sam Walton joked about the rumor at an industry convention in May. "He [Walton] asked if we were planning to buy him out," Gilman had said. Ames has posted strong 1987 sales in its bid to come back from a disappointing 1986. For the month ended Aug. 1, Ames reported an increase in sales of 11.8 percent over last year. Sales were up 14.8 percent for the 26 weeks ended on the same date, to $932 million. Stock prices, which reached $28.25 in the wake of the rumor, leveled off at $27.25 by the end of the week after Ames issued its denial. The stock traded at about $26 in the days before the rumor gained currency.

INDEX

Apparel 21
Off-Price Census 21
Calendar of Events 56
Editorial 6
Executive Changes 12
Hard Lines 39
At the Source 51
Auto Chain Census 39
Lawn & Garden 46
Manufacturer News 53
Home Products 25
At the Source 36
Consumer Electronics 25
Housewares 31
Prevention Pays 57
Stock Update 55

Dollar General Attacks Shrinkage; Expects Improved Financial Results

SCOTTSVILLE, Ky. — Dollar General expects to improve its third and fourth quarter financial results by attacking the shrinkage problem that has plagued the company during the past year.

An extensive radio campaign employed earlier this year, which merited an award from the International Radio Festival, should also reap sales benefits by year-end, according to a company spokesman. The radio campaign is another factor that lowered earnings during the first half of the year by inflating advertising expenses by $2 million.

To control shrinkage, which reached nearly 3 percent of sales last year, a new security director was established at headquarters. In addition, 30 Florida stores—the state with the highest incidence of shrinkage—were closed during the second quarter. Polygraph tests were given and employees were terminated or transferred.

While sales for both the second quarter and the first six months of 1987 were up 7 percent to $146 million and $262 million, respectively, net income dropped. During the second quarter net income fell 18 percent to $2 million; for the six months it was down 33 percent to $467,000, compared to last year.

Separately, Dollar General will be providing information to shoppers regarding local programs that prepare adults to take the General Educational Development test. The decision to offer mail-in cards for customers interested in studying for and taking the test, comes on the heels of a program implemented by Dollar General whereby the company covered the cost of study materials and test fees for employees interested in taking the GED.

Nearly half of the 23 states where Dollar General operates its 1,300 stores had high school graduation rates below the national average, company president Cal Turner Jr. said. "We recognize that many of our customers are part of these statistics, and we felt that we could lessen the fear of taking that first step toward getting an equivalency diploma by offering local information in each of our stores."

Discounters' Community Service

DSN Accepting DISC Award Entries

NEW YORK — *Discount Store News* is now accepting entries for the 1987 Discounters in Service to the Community (DISC) award program.

The DISC awards, which *DSN* instituted in 1979, recognize the outstanding community service efforts of the discount store industry. The winner will be announced in the Nov. 23 issue of *DSN* and a special awards luncheon will follow in the headquarters city of the winning chain.

Last year's winner, Zayre Corp., Framingham, Mass., was honored for the community endeavors of its store and headquarters employees. Previous years' award winners have included Target, Jamesway and Ames.

Discounters interested in entering the DISC award program should submit any documentation (including newspaper clippings, letters, videotapes, etc.) that describe the goals and achievements of the service programs they conducted in 1986.

Each entry should include six complete copies of each supporting document as well as a 100-word statement outlining the program goals. The entries will be reviewed by a panel of judges from the discount industry.

All entries should be sent to: Editor, *Discount Store News*, 425 Park Avenue, New York, N.Y. 10022. Deadline for entries is Oct. 1.

DSN 25th ANNIVERSARY TRIVIA QUIZ

DSN *invites you to test your recall of vintage discount industry history with the trivia questions that follow.*

As part of its 25th anniversary, DSN *is offering a $100 prize to the person who correctly answers the most questions.*

Please type your answers, including your name, address and telephone number, on standard letterhead, and mail them to:

Quiz Editor—8/24,
Discount Store News,
425 Park Ave.
New York, N.Y. 10022

Winners will be announced in a future issue. Answers to questions below appear somewhere else in this issue.

25 Years Ago This Week:

Discrimination: Blue law advocate Sunday Inc. and a crusading Sunday-law district attorney declined to prosecute non-discounters operating on Sundays. This led discounters to suspect that the Sunday-law legislation might be aimed more at discounting than Sunday retailing.

Those Were the Days: Some representative prices from the summer of 1962: Record albums sold for $1.99; Elgin watches sold for $14.97; cigarettes sold for only $1.99 a carton; and Wilson and MacGregor golf clubs sold for $25 a set. All of these were sold at CMA in Tampa.

The Discount Store Lampoon?: A cartoon by future *National Lampoon* cartoonist Rodriques, a contributor to *Discount Store News*, portrayed two clerks discussing a sign reading "Was 79 cents, now $1.19" and had the punch line "The old man's really burned about that fair trade injunction."

1. What national retail chain opened its first Treasure Island discount store?
a) Sears;
b) Penney's;
c) Montgomery Ward.

20 Years Ago This Weeks:

Finally Named: Federated Department Stores ended weeks of speculation; it settled on Gold Circle as the name for its new discount chain.

Modest Growth: Discount sales tripled over 1962 results to $13.6 billion, and store count increased from 2,025 to 3,005, with 350 more due by year-end.

2. The number of discounters named to Fortune's *Top 50 list for 1966 was:*
a) 24;
b) 12;
c) 36.

10 Years Ago This Week:

They Want How Much?: Discounters were fighting a minimum wage bill that would raise the hourly wage of entry-level employees to $2.65.

Shape of Things to Come: The troubled Korvette's discount store chain sold off six Chicago stores to K mart and two other buyers.

3. Which chain announced a new emphasis on direct imports to boost margins?
a) K mart;
b) Wal-Mart;
c) Mammoth Mart.

5 Years Ago This Week;

Phone Home: Discounters were gearing up for an E.T. invasion, as licensing of the hot new movie heated up.

4. What discounter attempted to step up its fashion image with its own brand name Jonathan Logan?
a) Zayre;
b) Hill's;
c) K mart.

1 Year Ago This Week;

They're Saving Dad's Bucks: College students ranked discount stores No. 4 in shopping preference after college stores, department stores and specialty shops.

5. What specialty chain announced its ill-fated entry into electronic retailing?
a) The Limited;
b) Trak Auto;
c) Crazy Eddie.

Apparel

Off-Price Leaders Target Market, Provide Value

Nationwide DSN Report

For the apparel off-pricers who have a well-defined strategy, have targeted their customer and are providing that customer with the right merchandise at a value, this continues to be a highly profitable market.

Such smaller off-pricers as Dress Barn, ClothesTime and NBO Stores, as well as such others as S&K Famous Brands, Banker's Note and Susie's Deals (see story, this page), are experiencing strong sales and earnings growth.

However, this business continues to weed out the weak. Within the last 12 months, K mart's Designer Depot was shuttered (it was in last year's top 10), and earlier this month The Limited, parent of Sizes Unlimited, announced it was leaving the very competitive off-price apparel market when it merges Sizes Unlimited and Lerner Woman (see *DSN*, Aug. 10, page 2). In addition, there are a number of other smaller off-pricers who are struggling to stay afloat.

(Continued on page 22)

Top Off-Price Apparel Specialty Chains

Chain	Sales (In Millions) 1986	Sales (In Millions) 1985	Percent Change	Number of Stores 1987	Number of Stores 1986	Average Store Size (In Sq. Ft.)
Marshalls (Mass.)	$1,409	$1,324	7%	286	261	29,000
T.J. Maxx (Mass.)	1,050	825	27	261	226	19,000
Ross Stores (Calif.)	534	376	42	131	121	25,000
Burlington Coat (N.J.)	382	343	11	100	87	40,000
Loehmann's (N.Y.)	351	322	9	NA	90	NA
Hit or Miss (Mass.)	345	310	11	501	461	3,200
Filene's Basement (Mass.)	252	213	18	22	22	25,000
Size's Unlimited (N.J.)*	240	255	(6)	550	247	3,500
Sym's (N.J.)	223	215	4	22	17	50,000
Dress Barn (Conn.)	175	135	30	300	235	4,000
ClothesTime (Calif.)	161	127	27	343	263	3,800
NBO Stores (N.J.)	73	64	12	26	21	8,000

**Size's Unlimited recently announced it will trade up to full-price merchandise, merging with Lerner Woman. Number of stores in 1987 includes the addition of 88 Lerner Woman stores.*

NA—not available

Source: DSN research

'$9.99 or Less' Price Spurs Growth for Juniors Off-Pricer

By Pamela Krein

CITY OF INDUSTRY, Calif. — Susie's Deals is taking its "$9.99 or less" fashion apparel beyond its California home for the first time.

The 50-unit off-price chain, which specializes in fashion apparel for juniors, has opened three stores in Las Vegas and is on schedule to meet its goal of operating 150 stores by 1991.

Susie Hyman, co-founder and general merchandise manager of Susie's Deals, said the chain plans to open 12 stores by the end of this year and 25 next year.

7-Unit Smarty Pants

The family-owned chain—Hyman and her brothers, Stephen Hyman and David Hyman, are the principals—started as a single-unit operation in 1982. In addition to the Susie's Deals stores, the Hyman's operate Smarty Pants, a seven-store off-price apparel chain in Southern California that sells merchandise for more than $9.99, and also targets the junior market.

For both chains, Susie Hyman devotes her time to purchasing sportswear and overseeing all of the buying; Stephen, as president, is in charge of general operations; and David, who is vice president, is responsible for in-store merchandising.

Susie Hyman with her brother David (left), and Eric Rosenberg, controller. Sales have jumped 40 percent annually for the last two years. (DSN photo)

Hyman said the family is looking to Susie's Deals for the major growth. She said the "fashion conscious" junior customer shops two to three times a week, and the "$9.99 or less" strategy gets her into the store whever she has some extra money.

Not only does the price limit work to attract teenage shoppers, but so do the "buy-one-get-one-free" accessories deals, certain other special promotions on private label merchandise and/or brands, and the everyday discounts on branded merchandise.

Susie Hyman said private label merchandise accounts for about 20 percent of the mix.

Although she would not disclose the brand names the store carries, *DSN* found the chain carried names such as Gitano, Judy Knapp, A. Buyer, Sergio Valente, Organically Grown, Brittania and Tomboy.

Store locations, like that of many off-price chains, are usually in neighborhood strip malls. The three new Las Vegas stores, in the 3,200-square-foot to 3,400-square-foot range like all the units, are all located in centers anchored by Target, the Minneapolis-based full-line discounter. Susie Hyman said the company often positions its stores along with other discounters and off-pricers.

10 to 12 Turns a Year

Each unit carries approximately 10,000 to 14,000 sku's, with 1,000-sku shipments coming into the stores three times a week, she said, and that translates into turns of 10 to 12 times a year.

All of the merchandise is shipped out of the company's 70,000-square-foot distribution center (located in the same facility as the corporate offices in City of Industry). The merchandise is ticketed and on hangers and is planogrammed by Hyman's brother David. The truck drivers put

(Continued on page 23)

MARKETWATCH

Apparel Hotline

NEW YORK — If you have questions or comments about apparel articles or research published by *Discount Store News*, call our Apparel Hotline: 1-800-332-3005. In New York State, call 212-371-9400, ext. 396. We also welcome news tips.

NEW YORK — Donna Rice will be more visible than Gary Hart this fall. The model and actress, whose romantic link to Hart helped knock him out of the presidential race earlier this year, will be appearing in TV commercials and magazine ads for a women's sportswear line called No Excuses. Neil Cole, president of New Retail Concepts Inc., the marketer of the brand, said Rice has a one-year contract and has agreed not to do ads for other sportswear companies. Cole emphasized that this is "her [Rice's] first and only endorsement" since the Hart controversy, adding that "it's a daring move for us, but we think we'll get some great exposure."

* * *

BANNOCKBURN, Ill. — Mainstreet, the 17-store family apparel specialty chain based here, has identified Fort Wayne as the second of two new markets it will enter next year when it opens nine new units. Previously, the Federated Department Stores division had announced it would enter Minneapolis/St. Paul with five stores. The other three 1988 units will be in Chicago and Detroit, where the chain also plans to open new units this fall.

* * *

NEW YORK — Sigallo Ltd. has replaced Oxford Industries as licensee for McGregor men's knit shirts. Sigallo's first collection for McGregor is available for delivery to retailers in January 1988 for spring, and is currently available for viewing. Also, Stage II Apparel Corp. has replaced Oxford as the licensee for McGregor woven shirts.

Leading Apparel Off-Pricers Target Customers, Provide Value

(Continued from page 21)

The off-price business continues to be dominated by Marshalls, a Melville Corp. division, and T.J. Maxx, part of the newly created TJX Cos.

As Bernard Cammarata, president and chief executive officer of TJX Cos., said about T.J. Maxx's success over the last couple of years, "Our concept is nothing special. It's the execution of the concept that's key. The way you buy, process through the warehouse and manage the store—that's the difference. It's an art, not a science."

Spurred by T.J. Maxx's 38 percent jump in sales during fiscal 1986, parent Zayre Corp. earlier this year spun off T.J. Maxx, along with Hit or Miss and the cataloger Chadwick's of Boston, in order to generate more revenue to fuel future growth. Plans call for 35 new stores a year for the next five years.

Also, within the next four months T.J. Maxx will open its first 10 units in California and a new West Coast distribution center is being planned.

T.J. Maxx continues to upscale its stores, adding special designer departments featuring better brands. The chain is also expanding the number of women's shoe departments and is testing fine jewelry.

Marshalls, despite maintaining its No. 1 position with a 7 percent sales increase in fiscal 1986, didn't meet earnings expectations, which dramatizes just how difficult it is to remain profitable year after year in this business.

Smaller apparel off-pricers are successfully competing with the billion-dollar off-pricers, as well as the K marts, Wal-Marts and Targets, by becoming ever more specialized and sophisticated.

A chain like the 343-unit, Anaheim, Calif.-based ClothesTime, for instance, has successfully targeted the juniors market. To stay competitive they've started to track sku's daily and have daily shipments to their stores.

ClothesTime also develops local mailing lists of their target customers and does monthly direct mail promotions. The chain also recently established a new division to do its own design, contracting and importing of merchandise.

These are the kinds of approaches the apparel off-pricer must take to compete in today's world

As Gene Kozack, president of NBO Stores, said, "There used to be a time when as an off-pricer you couldn't do anything wrong. Now that's all changed—everyone's after this business."

At NBO, Kozack has had to refocus his business, something he's been doing steadily for the last 18 months. NBO has registered seven consecutive record quarters in sales and earnings, and that's been accomplished by upscaling it's merchandise, offering more sportswear and targeting the younger, more fashion-conscious male customer.

All NBO stores have POS terminals and all buyers have portable terminals. Sales can be tracked through the day before by store, color and size.

A strategy of offering top name brands at up to 30 percent to 50 percent off in a specialty store environment in middle markets has been paying off at Richmond, Va.-based S&K Famous Brands, a men's wear discounter specializing in clothing and dress furnishings.

About 40 percent of S&K's mix is from such high-profile department stores as Saks Fifth Avenue, Bloomingdale's and Lord & Taylor. S&K sells the goods, usually bought at the end of seasons, with the brand name, the original store and the original price on the ticket.

S&K's fiscal 1988 sales are expected to hit $45 million, about a 16 percent jump over last year's $39 million.

Stuart Siegel, chairman of S&K, is planning to expand the 48-store operation to 150 units by the end of 1992.

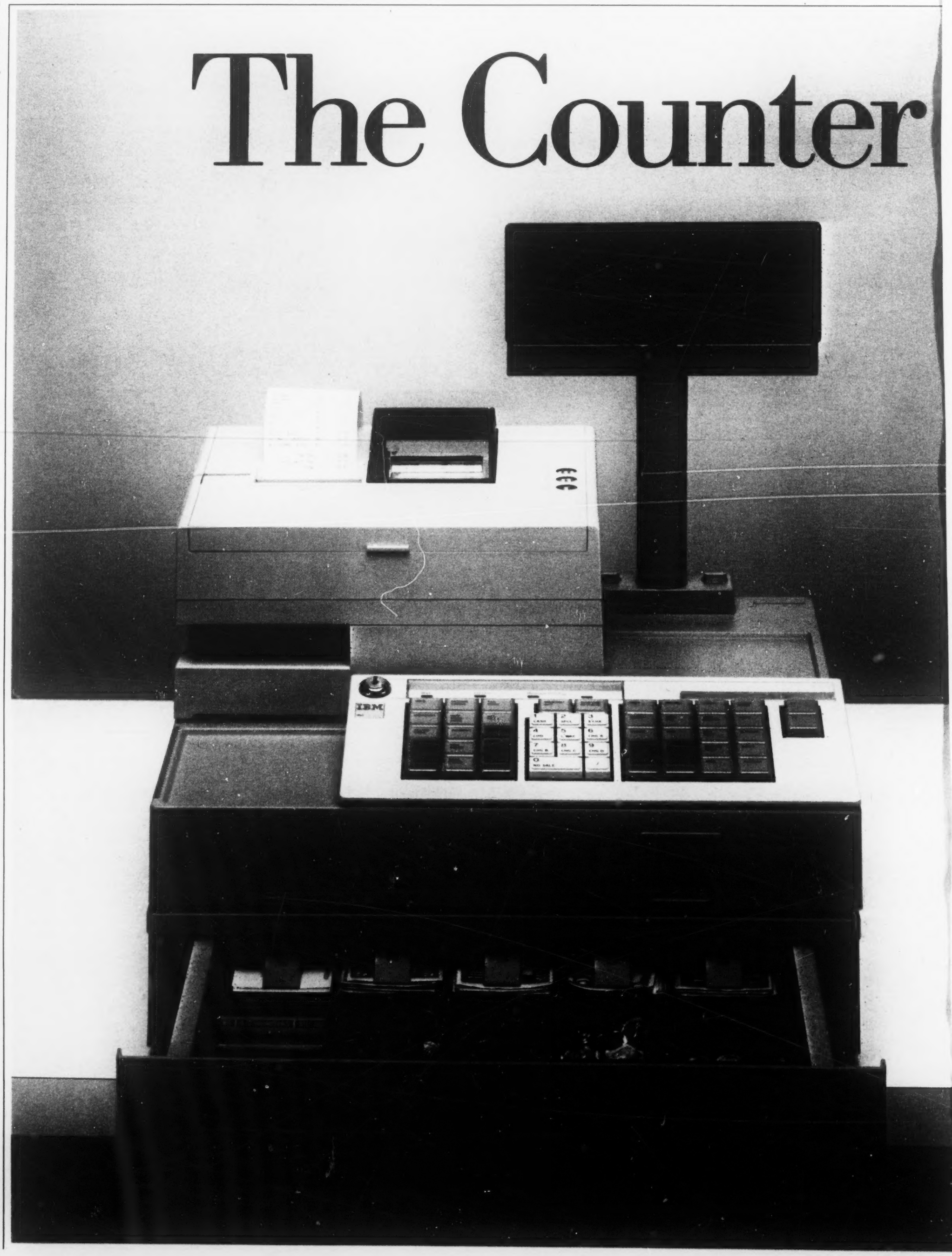
1st Private Label Show to be Held

NEW YORK — The apparel industry's first private label show, called Private Label Expo, will be held here at the Jacob Javits Convention Center, June 1 to 3, 1988.

The expo is to be held twice a year, with the next show scheduled for Nov. 20 to 22.

Expected to exhibit are over 400 manufacturers in all categories of women's, men's and children's wear, as well as accessories. Exhibitors will include major national branded manufacturers with private label divisions, contracting companies and foreign private label producers.

The event will be operated by Private Label Inc., a Schimel Co. subsidiary. Schimel also runs the National Association of Men's Sportswear Buyers (NAMSB) shows at the Javits Convention Center four times a year.



Hard Lines

Auto Giant Transforms into Powerhouse Chain

KANSAS CITY, Mo. — For the first time since Beneficial Finance bought Western Auto in 1961, details about the nation's largest and oldest automotives chain are emerging into public view.

The picture that is coming into focus is that of an automotives veteran bearing a debt load that has slashed net earnings more than in half and is repositioning itself away from the home and auto concept that had been its hallmark in thousands of small, rural towns.

Now in public hands as a separate entity, Western Auto has adopted an automotive supermarket prototype that includes auto service, expanded the automotives side of its merchandise mix and cut back on lawn & garden, bicycles, major appliances and consumer electronics in hundreds of franchised stores.

In the process, Western Auto, as an operator of company stores and a supplier to a shrinking division of 1,744 franchised stores, is becoming more homogeneous.

Western Auto is continuing its long-term trend of closing marginal franchised stores and weaning many of the remaining franchised stores away from a mix of automotives and home lines, putting them on a more solid diet of automotives—similar to that of company stores—through its Flag Store program. New franchised units are being opened with the dominant automotives format.

(Continued on page 41)

Management Buyout Of Chief Auto Looms

(Continued from page 1)

Now his sources within Chief Auto tell him that another LBO effort is underway, Wooten said. But he refused to name those sources.

Wooten said he didn't know who Manor might be working with to arrange finances. Ed Mulé, an investment banker for Goldman Sachs & Co., New York, who is working with Southland on its LBO, said he knows nothing about a Chief Auto buyout.

A memo dated July 15 from Southland chief executive officer Jere Thompson, ordered employees to stop talking to the press, a headquarters source said. Earlier, the source confirmed Manor was working on a Chief LBO. Manor did not return calls to his Dallas office and the Los Angeles office of Chief.

Prior to Thompson's gag order, Manor had said that no buyout could take place before mid-October, which is the earliest that Southland could change to private hands.

A tender for 31.5 million Southland shares at $77 a share expired July 30 but was expected at presstime to be renewed if the Thompson family failed to get all the shares it seeks.

Around Dallas, automotives manufacturers' reps are betting on a management buyout, with the Thompson family still retaining a hefty—if not controlling interest—as the most likely of three scenarios to occur. The others are: another automotive chain, or chain holding company, might buy Chief. Or, a retail chain outside the auto industry might buy it.

As for other auto chains, the Dart Group, which controls Trak Auto, and the Trump brothers from California, who own Schuck's and the former Lucky auto division chains, Checker and Kragen, are the most often named in rep circles as potential buyers from within the industry.

A Dart Group executive refused to comment regarding Chief Auto. The Dart Group, controlled by Herbert Haft and his son, Robert, has made hundreds of millions of dollars in stock profits in the past two years through takeover tenders for other retail chains, including Supermarkets General, this spring, and Safeway, in 1986.

Speaking for the Schuck's, Checker, Kragen auto group in Phoenix, Ariz., Fred Nelson confirmed that SCK is looking at acquiring Chief Auto to reach its goal of operating 1,000 stores by 1990. SCK expects to hit the 500-store mark this month and add 100 stores next year through internal growth alone.

Adding Chief's estimated sales of $256 million in 1986 to SCK's $414 million would create the nation's No. 2 auto chain behind Western Auto.

Nelson, director of corporate communications, said, "anytime an auto parts company comes up for sale, my parent company looks at it very carefully. When we learned the company was for sale, we started looking."

When Grand Auto, Oakland, Calif., put itself on the auction block in March, SCK took a look, Nelson said. Due to the similarity in operations, offering only parts and accessories and no service, Chief and SCK would be a good mix, Nelson said.

Another source within the SCK organization, however, said his company isn't interested in Chief.

From outside the industry, a potential buyer is Melville Corp., parent of Marshalls. Three months ago Melville hired J. M. (Mickey) Robinson, former chief financial officer for Auto Shack, Memphis, Tenn., and president of the Automotive Parts and Accessories Association.

Robinson, director of corporate development, said Melville might include an auto chain among future acquisitions, but added his firm "probably isn't interested in Chief."

Top Automotive Specialty Chains

Chain	Sales (In Millions) 1986	Sales (In Millions) 1985	Percent Change	Number of Stores 1987	Number of Stores 1986	Average Store Size (In. Sq. Ft.)
Western Auto (Mo.)	$760[A]	$721	5%	2,032	1,997	7,000
Shuck's, Checker, Kragen (Ariz.)	414[B]	385	27	500	474	4,000
Pep Boys (Pa.)	486	389	25	212	177	17,600
Auto Shack, (Tenn.)	365	270	35	386	306	5,400
OTASCO (Okla.)	309[A]	288	7	575	575	7,000
Chief Auto (Texas)	256	246	4	485	465	3,250
Nationwise (Ohio)	200	175	14	200	174	6,000
Trak Auto (Md.)	183[C]	144	27	245	212	6,000
Grand Auto (Calif.)	166	168	(1)	121	113	12,500
Whitlock (Ill.)	150[D]	115	30	177	162	13,000
Auto Works (Mich.)	145	127	14	226	176	5,000

[A]Includes sales from company-owned stores and wholesale revenues from franchisers.
[B]Includes totals for Lucky Auto division, acquired December 1986.
[C]Includes results from Trak West division, acquired in 1987.
[D]Includes results for Rose Auto Stores, acquired October 1986.

Source: DSN research

MARKETWATCH

NEW YORK — When the 54th annual **National Merchandise Show** opens here next September at the Jacob Javits Convention Center, it will be the largest event in the show's history, according to Thalheim Expositions, Manhasset, N.Y., managers of the exhibition. Jay Thalheim, chairman of Thalheim Expositions, said the show will include 1,500 exhibitors and 2,300 booths during the four-day event scheduled for Sept. 12 to 15, 1988. Attendance is expected to exceed last year's 31,706, he said.

* * *

CARTERET, N.J. — **Herman's Sporting Goods**, the nation's largest sports specialty retailer, has announced the promotion of five senior management executives to top positions. Four of them are long-time Herman's employees and the fifth is an officer of its parent company, Dee Corp. Topping the list is John L. Sisk, who was named vice chairman of the board. Since 1981, he served Herman's as its president and chief executive officer. The new president is former executive vice president and deputy ceo George R. Mrkonic Jr. Herman's named David E. Bloom, most recently president of Total Sports and territorial vp, Western Territory, to executive vp and chief operating officer. Robert J. Timinski has been appointed executive vp, chief merchandising officer from senior vp, general merchandise manager. And John E. Labbett, presently Dee Corp.'s group controller, has become senior vp, chief financial officer. Kevin O'Keeffe, Herman's chairman, commented that the changes give the company a strong senior management team at a time when Herman's is expanding rapidly into a truly national presence.

* * *

MT. PROSPECT, Ill. — The **National Sporting Goods Association** will sponsor its Fall Market show Sept. 17 to 19 at the Anaheim Convention Center in Anaheim, Calif. The show will feature an expanded roster of exhibitors, and an expanded "pavilion" approach to presentation. The association will present a comprehensive series of seminars in conjunction with the show. Seminar topics include recruitment of personnel, effective advertising, POS and inventory control, risk management and theft prevention. Most will be presented at no charge. NSGA will also sponsor the World Sports Expo in Chicago Oct. 8 to 10. For further information about both shows, contact the association at (312) 439-4000.

* * *

NORTH MIAMI, Fla. — **The Super Show**, the sporting goods exhibition held at the Georgia World Congress Center in Atlanta in late winter, has been named one of 19 trade shows the U.S. Commerce Department will promote internationally as part of its U.S. and Foreign Commercial Service 1988 Foreign Buyer Program. According to the show's marketing director, Michael Frisby, the program "is designed to promote worldwide attendance of qualified buyers at leading U.S. trade shows which cover industries with high export potential."

Old-line Auto Giant Transforms into Powerhouse Chain

(Continued from page 39)

In the process, wholesale revenues derived from servicing its franchised units fell 10 percent last year as the number of company stores continues to increase from the 1984 turnaround year.

The store count breakdown highlights the trend: in 1986, it closed 219 franchised stores, partially offset by 84 White Auto and Home Stores acquired in February 1986 from the Canadian Tire Company. It ended the year with 1,744 franchised, or "associate" stores, down from 1,868 in 1985. That compares with 2,554 in 1982.

In the process, sales to associate stores slipped to $343.3 million in 1986 from $381.7 million in 1985.

In addition, Western Auto operates 253 company-owned stores, an increase from 213 in 1985 and 197 in 1984. Sales in company-owned units rose to $303.4 million in 1986 from $249.2 million in 1985, compared to $210.3 million in 1984.

Other Divisions

Other Western Auto divisions include Tire America, a chain of 52 tire stores acquired in the same month Western Auto went public, January, 1987, and Midland, an international importer of two-way radios and wigs.

Net sales and revenues increased to $759.8 million for the year ended Jan. 3, 1987, from $721 million for the year ended Dec. 20, 1985, the Western Auto annual report shows. On a pro forma basis, adjusted to include the acquisition of Tire America, total sales were $857.4 million in 1987, compared to $813.1 million in 1986.

On a pro forma basis, adjusted for the acquisition, debt issued to finance the leveraged buyout from Beneficial and a stock offering that took the company public in January, net earnings rose to $9.4 million in the fiscal year ended Jan. 3, 1987, from $4.8 million in the fiscal year ended Dec. 20, 1985.

On a historical basis, however, without adjustment, Western Auto had earned a net of $21.3 million in fiscal 1985.

Operating profits rose 25.4 percent to $6.8 million in 1986 from $37.3 million in 1985. But interest expenses soared almost four-fold to $31.7 million in 1986 from $8.1 million because of the cost of debt issued to finance the leveraged buyout.

Western Auto became a highly-leveraged company when Wesray Capital Corp., a New Jersey investment firm headed by former Treasury secretary William Simon, acquired it from Beneficial on Dec. 20, 1985, (in a deal valued at $340 million), said Kenneth L. Brown, senior vp for finance and administration.

Because of the leverage, interest costs rose significantly, Brown said.

In acquiring Western Auto, Wesray put up $17.7 million in cash and took on $290 million in debt. Prompted by soaring stock prices, Wesray took Western Auto public in January 1987 after about a year of private ownership.

In 1981, while still in Beneficial's hands, Western Auto had developed its auto supply supermarket prototype, combining tires, discounted parts and accessories, and installation and repair service. Some existing stores were closed, reducing store count to 197 in 1984 from 227 in 1982. The rest were converted to the auto supermarket concept, the model for all new company stores and the Flag Store franchised units.

On the retail, or company store, side, total sales rose 21.8 percent in 1986, while comparable store sales gained 10.4 percent. Western Auto plans to open 45 new stores in 1987, on top of 40 opened last year.

On the wholesale, or associate store side, Western Auto converted 30 franchised stores to the dominant automotives format and added 21 new ones, for a total of 293 Flag Stores.

In 1987, it plans to convert 50 more to the auto supermarket concept and open 30 new ones. No information is readily available on any plans to close marginal franchised stores this year.

Its Tire America division plans to add 15 new stores handling tires and ride-related services, such as shock absorbers, brakes and wheel alignment, during this year.

A one-man franchised store in Millersburg, Pa., a small farming community 30 miles north of Harrisburg, the state capital, illustrates Western Auto's problems with its associate operations.

Faded car-care manuals dating from 1984 were on sale at half price.

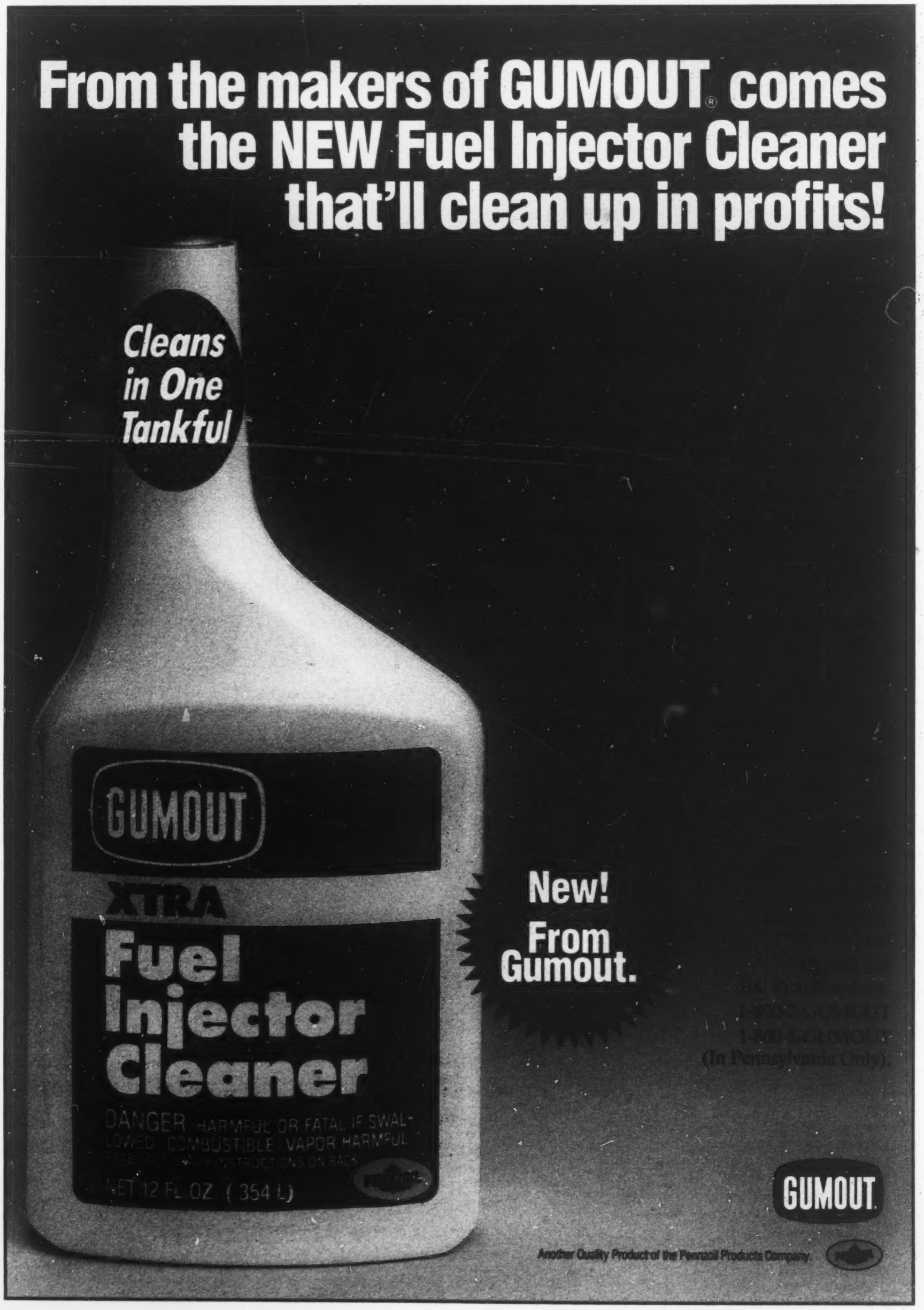
The home section offerings consisted of a handful of private label Western Flyer bicycles and mowers bearing the Wizard private label and a few hand garden tools.

Bryan Nailor is single-handedly operating the store that his parents own. The store, which includes a service bay, is about 2,500 square feet.

Western Auto now is stocking more auto parts in such stores, Nailor said, including exhaust pipes. For specialty auto parts, Western Auto has started catalog order service from Reliable and J.C. Whitney, he said.

The Millersburg store has handled a couple of catalog orders, Nailor said. One order, totaling about $95, was for pickup truck speciality items, including wheel covers, trim rings, headlight covers and a tube grill. The order arrived in three days, he said.

Nailor said he plans to continue to carry his small assortment of lawn & garden and bicycle items, even though he is squeezing in more shelves to accommodate expanded automotives offerings.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